

GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

Works Contracts-Release of 2.5% Retention amount after completion of whole of the works against Bank Guarantees - Deletion of Clause -Orders-Issued.

FINANCE (W&P) DEPARTMENT

G.O.Ms.No. 12

Dated: 11-12-2013.
Read the following:

- 1) From the Director of Works Accounts, Hyderabad,
Lr.No.DWA/Hyd/Sn-III/A-9/2013-14/12, Date.25-4-2013.
- 2) Finance (W&P) Deptt. U.O.Note.No.1540/F7(A1)/2013-1,
Dated.21-6-2013.
- 3) From the TR & B Deptt. U.O.Note.no.11525/R.I(1)/2013-3,
Dated.15-10-2013.

ORDER:

In the reference cited, the Director of Works Accounts, Hyderabad has stated that during the review of Non-EPC agreements concluded by Panchayat Raj, R&B, Public Health, Rural Water Supply, National Highways and Corporations, there is a specific agreement condition (under Clause 47.3) for substitution of retention money after completion of whole work with an 'on-demand' Bank Guarantee.

2. As per the procedure prescribed vide para-458 of AP W Account Code and P.S. 68 and 69 of A.P.D.S.S. and its subsequent amendment for EPC works vide G.O.Ms.No.50, I & CAD Deptt, Dt.2-3-2009, 7 ½ % will be withheld in the intermediate Bills and 5% will be released along with final bill duly keeping 2 ½ % under 8443 PW deposits which will be retained with the Government till completion of defects liability period.

3. In view of the instructions, issued vide Govt. Memo.No.5217/Reforms/06, I & CAD Deptt, Dated.23-2-2006 read with Govt. Memo.No.22829/Reforms(A1)/2008, I & CAD (PW-Reforms) Deptt, Dated.23-12-2008 & G.O.Ms.No.50, I & CAD, Dt. 2-3-2009; it is being insisted in respect of EPC packages, for the retention of 2 ½ % amount in cash until the end of the defects liability period.

4. In respect of Non-EPC works Clause No.47.3 referred above give entitlement to an agency to claim release of 2 ½ % retention money against Bank Guarantee, which is in deviation to codal provision. Release of retention money against bank Guarantee results in (1) Unintended cash outflow, (2) responsibility of keeping the Bank Guarantee under safe custody and watching its validity and (3) element of risk in encashment.

5. In the reference 2nd cited, views of all concerned Departments were called for. In the reference 3rd cited, the TR & B Department, have requested that the following may be incorporated in the order:

- a) The deletion shall be applicable only for works for which the tender notices are published after the issue of said G.O. and
- b) In the case of Externally Aided Project works, the guidelines of the Funding Agency may prevail, if they prescribe otherwise.

6. In view of the above, the Government, after careful examination, hereby issue orders to delete Clause specifying substitution of retention money of 2.5% with 'on-demand' Bank Guarantee.

(P.T.O.)

7. The orders shall be applicable only for works for which the tender notices to be published henceforth and in respect of Externally Aided Project works, the guidelines of the Funding Agency may prevail, if they prescribe otherwise.
8. All the tender inviting authorities have to ensure that such a clause is not included in the bid document and all the agreement concluding authorities should ensure that henceforth no agreement should contain such a clause.
9. All the Special Chief Secretaries/Principal Secretaries/Secretaries dealing with the Engineering Departments are requested to ensure strict implementation of the above instructions.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

S.P.TUCKER,
SPECIAL CHIEF SECRETARY TO GOVERNMENT

To
All the Departments in Secretariat.
Copy to:
Special Chief Secretary to Finance Department.
All the Principal Secretaries in Finance Department.
All the District Collectors in the State.
SF/SC.

// FORWARDED: BY ORDER //

SECTION OFFICER